

# Catastrophe Savings Accounts

*Prepare for out of pocket costs from a natural disaster  
using state income tax-free dollars*

Establishing a Catastrophe Savings Account (CSA) can help you pay for your deductible and other out-of-pocket costs. Similar to health savings accounts, the money can be set aside state income tax-free and used in the future to pay for qualified catastrophe expenses that result from a hurricane, flood, or windstorm event that has been declared an emergency by the Governor.

• **Qualified catastrophe expenses** are expenses paid or incurred by reason of a major disaster that has been declared by the Governor to be an emergency by Executive Order.

*Qualified cat. expenses include payment of insurance deductibles and other uninsured risks of loss from hurricane, rising floodwaters or other catastrophic windstorm event damage.*

• **Any South Carolina resident that owns a single family residence** (e.g., house, condo, townhouse or modular or mobile home) **qualifying as a legal residence for SC property tax purposes** can contribute to a CSA.

*Any established state or federally chartered bank can establish a CSA. The money can only be held in an interest bearing savings account and it must be labeled as a CSA.*

• The account **must be kept separate from all other accounts**. It must be maintained specifically for the purpose of qualified catastrophe expenses incurred by the account holder.

• The **money that is placed in a CSA and the annual interest earnings are not subject to state income taxation** if left in the account or used for qualified catastrophe expenses.

• CSAs contribution limits depend on your insurance deductible:

If **deductible is less than or equal to \$1,000**... you can contribute **up to \$2,000**;

If **deductible is more than \$1,000**... you can contribute the **lesser of \$15,000 or twice the deductible**; and

For those who **self-insure**... you can contribute up to a **max. of \$250,000, but amount may not exceed the value of the home**.

*(more information on next page)*

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Examples of Catastrophe Savings Account contribution limits:

Example	Amount of Deductible / Home Value	Max. Contribution to CSA
Jane	\$10k deductible	\$15,000
Sally	\$6k deductible	\$12,000
Tom	\$100k home value (self-insured)	\$100,000

Additional Information:

- The account holder, not the bank, is **required to maintain documentation for income tax deductions and to verify that withdrawals** from the CSA were used exclusively for qualified catastrophe expenses.
- The **entire amount does not have to be contributed in one year**, but total contributions for all years cannot exceed the maximum.
- Any interest earned in the account will be exempt from state income tax and should be subtracted in computing your SC taxable income.
- If you withdraw funds from your CSA to pay for qualified catastrophe expenses, you do not have to include the withdrawal in your SC taxable income.
- Withdrawals for ineligible expenses are taxable and subject to an additional tax of 2.5%. Some exceptions apply, depending on the situation.

For more information, visit the South Carolina Department of Insurance website, [www.doi.sc.gov](http://www.doi.sc.gov), and **search for “Catastrophe Savings Account”** or contact our Office of Consumer Services:

1-800-768-3467 or 1-803-737-6180

Mon -Th 8:00 a.m. - 6:00 p.m. | Fri 8:00 a.m. - 5:00 p.m.

*As with any tax matter, consult a tax professional for specific information on your individual situation.*

